

European Communities

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DOCUMENT 1-255/83

REPORT

drawn up on behalf of the Committee on Development  
and Cooperation

on the Sixth United Nations Conference on Trade and  
Development (UNCTAD)  
(Belgrade, 6 June - 1 July 1983)

Rapporteur: Mr R. COHEN

PE 84.076/fin.



By letter of 3 February 1983 the Committee on Development and Cooperation requested authorization to draw up a report on the Sixth United Nations Conference on Trade and Development (UNCTAD) (Belgrade, 6 June - 1 July 1983).

Authorization was given by the President of the European Parliament in his letter of 25 April 1983. The Committee on External Economic Relations was asked for its opinion.

On 17 March 1983 the Committee on Development and Cooperation appointed Mr COHEN rapporteur.

It considered the draft report at its meetings of 21 April 1983 and 26 April 1983 and unanimously adopted the motion for a resolution and the explanatory statement on 26 April 1983.

Present: Mr Kühn, vice-chairman, acting chairman; Mr Cohen, rapporteur; Mrs Cassanmagnago-Cerretti; Mr de Courcy Ling; Mr Deschamps (deputizing for Mr Bersani); Mrs Dury; Mrs Herklotz (deputizing for Mr Fellermaier); Mr Kellett-Bowman (deputizing for Mr Pearce); Mr Loo; Mr Narducci; Mrs Rabbethge; Mr Sherlock; Mr Vankerkhoven; Mr Vergeer and Mr Wawrzik.

The opinion of the Committee on External Economic Relations is attached.

The report was tabled in its final version on 27 April 1983.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement

MOTION FOR A RESOLUTION

on the Sixth United Nations Conference on Trade and Development (UNCTAD)  
(Belgrade, 6 June - 1 July 1983)

The European Parliament,

- having regard to the communications from the Commission to the Council (COM (82) 803 fin.),
- having regard to the report of the Committee on Development and Cooperation and the opinion of the Committee on External Economic Relations (Doc. 1-255/83)
- having regard to its resolutions

of 18 September 1980 on the Ferrero report,<sup>1</sup>  
of 10 July 1981 on the Cohen report,<sup>2</sup>  
of 18 December 1981 on the Cohen report,<sup>3</sup>  
of 17 June 1982 on the Michel report,<sup>4</sup>  
of 15 October 1982 on the Wedekind report,<sup>5</sup>

1. Points out that the Belgrade Conference is the first occasion on which talks between developing and industrialized nations have been resumed since the unsuccessful meeting in Cancun;
2. Stresses that, while the overall objective is still the opening of global North/South negotiations, it is first and foremost necessary to solve specific trade and financial problems in Belgrade;
3. Expresses the hope that agreement can be reached in Belgrade on a basis for the commencement of global negotiations in the near future;

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<sup>1</sup> OJ No. C 265 of 13.10.1980, page 37

<sup>2</sup> OJ No. C 234 of 14.9.1981, page 101

<sup>3</sup> OJ No. C 11 of 18.1.1982, page 193

<sup>4</sup> OJ No. C 182 of 19.7.1982, page 76

<sup>5</sup> OJ No. C 292 of 8.11.1982, page 105

4. Stresses the interdependence which exists between the developing and industrialized nations and draws attention to the need for cooperation in order to achieve a common solution to the economic crisis;
5. Urges that, in this context, account be taken of the consequences for the developing countries of a restrictive and currently anti-inflationary monetary policy on the part of the industrialized nations;
6. Draws attention also to the danger of mounting protectionism and expresses the conviction that open trading relations between the industrialized and developing countries are of major importance;
7. Stresses in this context the importance of safeguarding and strengthening the GATT system and calls on the Eastern European Countries to face up to the responsibilities which should be imposed by their position in the world;
8. Expects the Community to adopt a constructive approach to the Belgrade Conference and to make efforts, preferably in collaboration with its allies, to meet the wishes of the Group of 77 and to pursue a coherent policy in regard to this group;
9. Points out in this connection that the Community Member States have a greater stake in securing good relations with the developing countries than some other industrialized nations;

## TRADE IN GENERAL AND TRADE IN COMMODITIES

10. Urges that the 'Group of 77' be recognized as forming one unit, but at the same time draws attention to the need for a differentiated approach to developing countries depending on their stage of development;
11. Stresses the need to involve a number of developing countries fully in GATT, in particular the newly industrialized countries;
12. Stresses the need for the system of generalized preferences to be retained, particularly for the poorest developing countries, and for it to cover as many processed agricultural products as possible;
13. Requests once more that consideration be given to the possibility of making the granting of generalized tariff preferences to more-developed nations conditional on their willingness to grant similar preferences to the poorest developing countries;
14. Considers that a declaration by the Conference to the effect that the desired objective is open trade unhindered by protectionism would be of great value;
15. Urges that the remaining obstacles to the import of tropical products be removed and that still greater market access be accorded for raw materials and processed commodities from developing countries;
16. Notes the high level of unemployment in the EEC and acute problems in certain industries but urges nevertheless that the conditions under which Article 19 of the GATT rules (safeguard clause) may be invoked be further defined and that the relevant measures be of a temporary and limited nature only;
17. Considers that greater contact and coordination between UNCTAD and GATT would be in the interest of all concerned;
18. Draws attention to the need for an increase in trade and greater economic cooperation between the developing countries with a view to achieving collective self-reliance for products and sectors where this is possible, and to reduce dependence on imports from the industrialized countries;

19. Stresses the need for the swift ratification and implementation of the Common Fund agreement which is an essential element in achieving an overall strategy in the field of commodities;
20. Draws attention to the need for agreements to be concluded on bananas, cotton, sisal, tea, tropical woods, bauxite, copper, iron ore and phosphates, in addition to those already concluded for cocoa, coffee, rubber, sugar, tin and jute, and calls on the Community and its Member States to sign the jute agreement and participate in the new International Sugar Agreement;
21. Maintains that it is the duty of the Community to give support to efforts to stabilize the commodity market and urges that the Community and its Member States subscribe to existing and future agreements;
22. Notes that, for a number of years, commodity prices have tended to sink while demand has slackened; considers, therefore, that it is not sufficient simply to create buffer stocks but that commodity agreements should embody a genuine supply management policy;
23. Considers that a genuinely successful world commodity agreement depends on the willingness of the nations producing commodities to follow such a policy and that of the consumer nations to provide as much finance as possible;
24. Draws attention in this context to existing systems for the stabilization of earnings, such as STABEX and the IMF compensatory financing facility, which, if improved, extended and/or combined, could be a major contributory factor in the conclusion of an international commodity agreement;



## FINANCE AND FINANCIAL ASSISTANCE

25. Considers that the objective of contributing 0.7% of GNP by way of official development assistance should be reaffirmed, together with the figure of 0.15% in 1985 for the poorest countries;
26. Calls on the Community Member States to honour their commitments to the World Bank and International Development Agency, even if other donors exhibit reluctance to do so;
27. Pays tribute to the resilience of the private banking system during the current international crisis and considers that the lending capacity of the international capital market, the World Bank and the International Monetary Fund should be increased, for example by increasing the World Bank's capital;
28. Points out that even the doubling of the present IMF quotas will not meet international financing requirements; and calls for positive action by those countries which have indicated their willingness to increase their national IMF quotas;
29. Reiterates its proposal for an extension of special drawing rights, which should be allocated so as to benefit the least developed countries in particular;
30. Urges that the possibility of compensatory financing be extended, especially for food and energy imports from developing countries;
31. Draws attention to the worrying nature of the developing countries' burden of debt and recommends that a special effort be made for the poorest of them, which could include writing off their debt in ten years by remitting 10% per year;
32. Calls for differentiated interest rate rebates on concessionary aid depending on the degree of development of the recipient country;
33. Draws attention to the fact that it is almost impossible to attract foreign capital in the form of investment to the poorest developing countries, which are therefore dependent on loans; urges that account be taken of this fact in formulating the terms on which loans are to be granted;
34. Urges once more that programme assistance be provided in addition to project assistance, particularly for the poorest developing countries;
35. Recalls that it is particularly urgent that food strategies be implemented so that certain developing countries can reduce food imports which impose a serious burden on their balance of payments;

## CONCLUSION

36. Expresses the conviction that development policy should remain largely centred on measures to alleviate poverty and increase the self-reliance of the developing countries;
37. Refers once more in this context to the European Parliament's resolutions on measures to combat hunger and on the poorest developing countries, clearly reflecting the great importance which Parliament attaches to a strategy of covering basic needs;
38. Stresses once again that interdependence between the developing nations and the industrialized world is the most salient feature of relations between the two groups of countries and considers that the sixth UNCTAD Conference must be regarded as one of a series of past and future international conferences held with a view to achieving new and improved relations;
39. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

B

EXPLANATORY STATEMENT

INTRODUCTION

1. The United Nations Conference on Trade and Development (UNCTAD) was established by the United Nations General Assembly on 30 December 1964 following the first UNCTAD Conference in Geneva. The principal functions of the Conference are:-

- (a) to promote international trade, particularly between countries at different stages of development, with a view to accelerating the economic growth of developing countries;
- (b) to formulate and implement principles and policies on international trade and related problems of economic development;
- (c) to review and facilitate the coordination of activities of other institutions within the United Nations system in the field of international trade and related problems of economic development and in this regard to cooperate with the General Assembly and the Economic and Social Council in respect of the performance of their Charter responsibilities for coordination;
- (d) to initiate action for the negotiation and adoption of multilateral legal instruments in the field of trade;
- (e) to act as a centre for harmonisation of trade and related development policies of governments and regional economic groups.

The Conference is directly responsible to the General Assembly. Its Secretary-General is appointed by the Secretary-General of the United Nations, and its expenses form part of the regular United Nations budget.

2. UNCTAD now has 166 members. Policy guidelines are laid down at the sessions of the conference, which take place in principle every four years. The preparatory work for the conferences, and the continuous work of UNCTAD is entrusted to the "Trade and Development Board", which meets in regular session annually and in special session where necessary. The Trade and Development Board

has six main committees:

- Committee on Commodities
- Committee on Manufactures
- Committee on Invisibles and Financing relating to Trade
- Committee on Shipping
- Committee on the Transfer of Technology, and
- Committee on Economic Cooperation among Developing Countries.

It also has a special Committee on Preferences.

3. It should be noted that the Community Member States are represented by the Commission in respect of Commodities. In other fields the status of the Community as such is less clearly defined.

4. UNCTAD has divided its member countries into the following groups:

- Group A : All the Asian countries except Japan, all African countries and Yugoslavia;
- Group B : The developed market-economy countries, i.e. Western European countries, the United States, Canada, Japan, Australia and New-Zealand;
- Group C : The Latin American and Caribbean countries;
- Group D : The Soviet Union and other Eastern European socialist countries.

In fact, since the first UNCTAD Conference in 1964 the developing countries have represented themselves in a block known as "The Group of 77" (their original number was 77). This group now numbers some 125 developing countries and represents perhaps the most imaginative and dynamic element within UNCTAD.

5. It should be noted that the conference's work is an on-going process directed by a permanent secretariat. The four-year conferences lay down the guidelines for intervening periods. To date the following conferences have been held:

- UNCTAD I : Geneva, 23 March to 17 June 1964

At this conference the decision was taken to set targets for the volume of aid to be furnished by the developed to the developing countries. At that time total aid commitment (official and private) was envisaged at 1% of GNP. Since then, however, this figure has been replaced by a target of 0.7% of GNP for official aid.

- UNCTAD II : New Delphi, 1 February to 29 March 1968

This conference was marked by the commitment on the part of industrialized countries to grant generalised tariff preferences to developing countries.

- UNCTAD III : Santiago de Chile, 13 april to 19 May 1972

This conference recognised the right of developing countries to participate fully in consultations on international monetary reform and multilateral trade negotiations. The Santiago Conference also stressed the importance of regional integration between developing countries.

- UNCTAD IV : Nairobi, 5 to 31 May 1976

This conference proposed the integrated programme for commodities.

- UNCTAD V : Manila, 7 May to 1 June 1979

This was recognised as the least productive UNCTAD conference, taking place at a time of deepening economic crisis. It did, however, consider the problem of the least developed countries, and came up with proposals which led to the Paris Conference on Least-developed countries, held from 1 to 14 September 1981, which in its turn adopted the Substantial New Programme of Action.

MAIN ACTIVITIES AND ACHIEVEMENTS OF UNCTAD

6. As indicated above, UNCTAD has pioneered action in several important sectors in the field of international trade and development cooperation, notably the Generalised System of Tariff Preferences, the 0.7% GNP target for ODA, and the code of conduct for liner conferences, which defined certain principles to be observed in regulating freight rates and determining cargo sharing between shipping owners. The negotiation of various international commodity agreements has also taken place in UNCTAD, as have the negotiations leading to the Charter of Economic Rights and Duties of States adopted by the United Nations General Assembly.

7. At present UNCTAD is continuing its work to ensure ratification of the integrated programme for commodities and Common Fund. It should be noted that, among Community countries, the following have ratified the agreement on the Common Fund:

- Denmark, France, Ireland and the United Kingdom.
- Germany and The Netherlands have almost completed ratification procedures.
- In Greece and Italy, procedures are underway.
- In the case of two countries, Belgium and Luxembourg, ratification procedures have not yet begun.

8. When the articles of agreement of the Common Fund were adopted in June 1980, it was intended that the Fund be associated with a series of international commodity agreements. International agreements in respect of the following commodities have already been established: cocoa, coffee, rubber, tin and sugar. An agreement on jute has recently been signed and negotiations are in progress for agreements on tropical timber and tea. It is highly desirable that other agreements be concluded in the near future.

9. UNCTAD has been particularly concerned in recent years with the expansion and diversification of exports of developing countries in manufactured and semi-manufactured products. At UNCTAD V a mandate was given to the organization to study the problems of protectionism and structural adjustment. In 1980 the United Nations General Assembly adopted multilaterally agreed equitable principles and rules for the control of restrictive business practices which had been negotiated under UNCTAD auspices. At the same time the UNCTAD Committee on Preferences continues to examine the various generalised system of tariff preferences.

10. In recent years UNCTAD has been obliged to concern itself increasingly with monetary and financing questions, in particular the debt problem of developing countries. In March 1978 the Trade and Development Board succeeded in

reaching an agreement on a retroactive adjustment of the terms of ODA debts of the poorest developing countries by which the outstanding debts owed by several of these countries to governments of developed market-economy countries were effectively written off. Attention is currently being centred on the problems of expanding both public and private resource transfers to developing countries, so far without concrete results.

11. UNCTAD is particularly concerned with the question of transfer and development of technology, notably the legal framework within which such transfers can take place. It is at present negotiating an international code of conduct on the transfer of technology. In addition UNCTAD's Advisory Service on Transfer of Technology has provided technical assistance to developing countries with studies on the transfer, application and development of technology in sectors of critical importance such as food-processing, fertilisers, pharmaceuticals, energy and capital goods.

12. As it has been the subject of two previous reports and resolutions by your rapporteur<sup>1</sup>, this report will not go into detail on the question of aid for the least developed countries. It is necessary to point out, however, that the special measures in favour of the 31 LLDCs decided at the Paris Conference (September 1981) are being monitored by UNCTAD which is responsible for elaborating the detailed arrangements at global level for their implementation and their coordination.

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<sup>1</sup> OJ No.C 234 of 14/9/1981, p. 101 and  
OJ No.C 11 of 18/1/1982, p. 193

## UNCTAD VI

13. UNCTAD VI will be held in Belgrade from 6 June to 1 July 1983. The fact that this will be the only major North/South meeting to be held in 1983 gives it a particular significance. UNCTAD VI takes place in a background of crisis, affecting both the industrialist and developing countries, a crisis which is now no longer considered merely a transient phenomenon. This will obviously form the background to all discussions at the conference.

14. Though a draft agenda was approved in July 1982 it is clear that unlike previous UNCTAD conferences, no major programme is envisaged on this occasion. This is part of the difficulties facing UNCTAD's whole future. Despite this lack of an immediate short-term aim, your rapporteur feels strongly that UNCTAD VI can offer an opportunity to the international community to consider the readjustment necessary to help break out of the current crisis and to make a start on the international economic adjustments that are so obviously needed, such as the full integration of the newly industrialising countries into the international economic system, GATT, etc.

15. According to the provisional agenda the major issues under consideration at Belgrade will be:

- Trade
- Commodities
- Financial issues.

16. While the over-riding aim must be global North/South negotiations, nevertheless it is of the greatest importance to come up with solutions to specific commercial and financial problems in Belgrade. The Community representatives at the conference must first of all recognize the interdependence that exists between the Community and other industrialised countries and the developing countries, as well as the need for cooperation to achieve the joint solution to the economic crisis.



(a) Trade

17. The Committee on Development and Cooperation has consistently opposed protectionist tendencies. It is now more than ever important to resist pressures in this direction, while at the same time acknowledging that merely removing tariff barriers will not in itself lead to greatly increased exports of manufactured goods between developing countries and the Community. Thus, while the GSP is valuable, its importance should not be exaggerated. It is principally of advantage to the newly industrialised countries which, though part of the Group of 77, are at a difficult level of economic development to other developing countries such as the ACP group.

18. While the Group of 77 should be recognised as forming one unit, nevertheless there is real need for a differential approach to its component groups: NICs, middle-income developing countries and LDCs. One of the major issues that UNCTAD VI should face up to is the full integration of the NICs into GATT.

19. While at present the GSP system has made little contribution to the wellbeing of the poorer developing countries, this need not necessarily be the case in the future. Modification of the system, opening it to the largest possible number of processed agricultural products, could have positive repercussions for developing countries that can, at present, not benefit fully from the system.

20. It is similarly to be hoped that the industrialised countries, notably the Community, would consider extending the system of generalised preferences to more developed countries on condition that the new beneficiaries are prepared to give similar preferences to the poorest developing countries. The resulting increased trade liberalisation would, your rapporteur believes, be to the advantage of the world economy as a whole. It is the Committee's view that a declaration by the conference in favour of open trade unhindered by any form of protectionism would be of great value.

21. Looking more specifically at the Community, it is to be hoped that the remaining obstacle to the import of tropical products, both processed and unprocessed can be removed, thereby increasing market access for goods from developing countries. A Community initiative in this respect could put pressure on other industrialised nations to take similar steps.

22. Of particular concern to industrialising developing countries is the use of the safeguard clause (Article 19 of the GATT rules). Developing countries frequently invest in industrial plant so as to be able to export the resulting manufactured products to developing countries. Invocation of the safeguard clause can completely undermine such investment. It is vital for the developing countries that the conditions under which Article 19 of GATT can be invoked be very closely defined and that the measures taken pursuant to this article be of a temporary and precisely limited nature. In this regard it should be noted that both UNCTAD and GATT contribute to the joint advisory group on the International Trade Centre. Nevertheless, closer coordination between the two bodies is desirable as much of UNCTAD's work in the commercial field overlaps with GATT's activities.

23. Finally UNCTAD VI should investigate the means whereby South/South trade and economic cooperation can be furthered. It seems probable that self-reliance will form one of the major themes of the successor Convention of Lome II, and increasingly greater importance is being paid to this essential aspect of development (see Ambassador Cavalevu's speech to the ACP/EEC Joint Committee made in Kingston, Jamaica on 21 February 1983, CA/CP 342).

#### (b) Commodities

24. While ratification of the agreement on the Common Fund is well underway in most Member States (see paragraph 7 supra) it is important that this be completed with the least possible delay. The Common Fund forms an essential element for the achievement of an overall commodity agreement, which should be the ultimate aim of the Community in all negotiations in this sector. As an intermediary step it is to be hoped that in addition to the international agreements already signed (see paragraph 8 supra) new agreements can be concluded on commodities such as bananas, cotton, sisal, bauxite, copper, iron ore and phosphates, as well as on tropical timber and tea, negotiations in respect of which are currently underway.

25. Your rapporteur feels strongly that it is the duty of the Community, and of the industrialised countries as a whole, to support all efforts to stabilize commodity markets. The precarious situation in which many developing countries find themselves at present is due to a great extent to slumping commodity prices resulting from decreased demand, which in turn depresses the global economic climate. It is not enough for international commodity agreements merely to provide for the creation of buffer stocks. They must attempt, as far as is possible, to create effective supply management policies.

26. It is evident that the success of any commodity agreement must depend on the willingness of both producer and consumer countries to follow coordinated policies in accordance with the international agreements to which they have subscribed. This involves the fulfilment of financial as well as merely political obligations. At a time of increasing financial stringency this point must be recognised by the commodity consuming countries making up UNCTAD's Group B. Export earning stabilizing programmes such as STABEX and the IMF compensatory financial facility can help offset some of the negative effects of commodity price fluctuations, but they cannot operate in isolation. This is not to say that their improvement or extension cannot make a positive contribution at this time.

(c) Financial issues

27. The target of ODA amounting to 0.7% of GNP for the industrialised countries should be re-affirmed. As the international depression continues, the likelihood of a substantial number of industrialised countries reaching that target in the short-term is receding. The Committee on Development and Cooperation has consistently supported the principle of 0.7% and it calls once again on the Community Member States to fulfil their obligations in this respect, together with the more immediate requirement of 0.15% of GNP in 1985 for the least developed countries.

28. The Committee on Development and Cooperation also calls on the Community Member States to honour their commitments to the World Bank and International Development Agency. Even if other industrialised countries fail to meet these obligations the Community should act as an example. Furthermore the lending capacity of the World Bank and the IMF should be increased at this time and the present IMF quota at least doubled if it is to meet the needs of the developing countries, which are so desperately short of capital for investment in development projects. In addition the Special Drawing Rights should be extended in a meaningful way and allocated so as to benefit in particular the least developed countries. At the same time it is important that compensatory financing, especially for developing countries's food and energy imports, be extended.

29. One of the principal issues at Belgrade must be the critical debt situation of developing countries, including some of the more industrialised members of the Group of 77. If a radical attempt is not made to alleviate the situation of many of these countries, major defaulting could result with consequent serious repercussions on the international financial system. Your rapporteur recommends that in the case of the poorest developing countries, efforts be made to write-off outstanding debts over 10 years by remitting 10% per annum. This would require a serious commitment on the part of the creditor nations. The situation is so pressing that such a step appears fully warranted.

30. In conjunction with this should be the principle of differentiated interest rebates on concessionary aid in accordance with the degree of development of the recipient countries. Criteria for determining interest levels can be worked out without undue difficulty. This is an area which should receive prominence in the discussions in Belgrade. In the case of the poorest developing countries there is very little possibility of attracting private investment capital. These are dependent almost entirely on ODA, mostly in the form of grants but also loans from public sources. This fact must be borne in mind when deciding on the terms on which such loans are to be granted. In the case of these LLDCs, it is your rapporteur's belief that substantial programme aid must be provided in addition to the more traditional project aid.

## CONCLUSIONS

31. IN UNCTAD VI, as in Community development policy in general, the underlying principle should be the alleviation of poverty which, by extension, involves the focussing of particular attention on the least developed countries, and the promotion of self-reliance on the part of all developing countries. Essential to the achievement of these aims is the campaign against world hunger. The decisions taken at Belgrade will have a direct bearing on these. It is accordingly of the greatest importance that the Community play a positive role in UNCTAD VI on the lines outlined in the present report.

32. Throughout the report reference has been made to the role of the Community at UNCTAD. Community representation at such meetings traditionally is composed of the relevant services of the Commission and representatives of the Council. Your rapporteur believes that it would be of great value for the European Parliament to send a delegation consisting of members of the Committee on Development and Cooperation to Belgrade. A prerequisite for such representation, however, is that its status be defined in advance. There is little point in European Parliament participation from the outside, merely as part of the audience, as has happened in other conferences. The Committee calls for a study of the means whereby some form of official status can be obtained for such a delegation. In view of the European Parliament's contribution to the formulation of Community development policy, parliamentary representation at Belgrade would be of particular utility.

O P I N I O N

(Rule 101 of the Rules of Procedure)  
of the Committee on External Economic Relations

Draftsman: Sir Fred WARNER

On 24 February 1983 the Committee on External Economic Relations appointed Sir Fred Warner draftsman of the opinion.

The Committee considered the draft opinion at its meetings of 16 March, 23-24 March and 19-20 April 1983. It adopted the draft opinion on 19 April 1983 unanimously.

The following took part in the vote: Mrs Wieczorek-Zeul, acting Chairman; Sir Fred Catherwood, Chairman; Mr van Aerssen, Vice-Chairman; Sir Fred Warner, draftsman; Mr Galluzzi, Mr Gauthier (deputizing for Mrs Anglade), Mr de Goede (deputizing for Revd. Paisley), Mrs L. Moreau, Mr Pesmazoglou, Mr Rieger, Prinz zu Sayn-Wittgenstein, Mr Spencer, Sir John Stewart-Clark, Mr Welsh (deputizing for Miss Hooper) and Mr Ziagas.

1. The current crisis in the international economy is proving to be just as damaging to the Third World as it is to the industrialised nations. Equally, the collapse in the purchasing power of many of the developing countries has been one of the factors which precipitated that crisis. The main causes of this collapse have been the cumulative effects of real high interest rates, and high energy import costs on the one hand and contracting world trade and falling raw material prices on the other.

However, high inflation rates, policies with an emphasis on economic nationalism and the consequent poor use of development resources and loans have also contributed. Thus the dramatic effect of the crisis on the poorer nations of the developing South, comes on top of a pre-existing failure to secure the goals of development policy. The lesser economic difficulties of the advanced nations often draw our attention away from the real and growing calamity in many of the poorer developing states. The forthcoming UNCTAD VI in Belgrade provides an opportunity, on grounds of principle, common humanity and greater world-wide stability, for the Community, the United States and the rest of the developed world to make a renewed attempt to deal with these problems.

2. The European Commission has communicated to the Council of Ministers a set of initial guidelines in preparation for UNCTAD VI which focus the debate as it concerns Europe. Unfortunately, in a short opinion, the Committee on External Economic Relations of the European Parliament cannot hope to comment on the whole range of complex issues raised by this document about the entire development process, the current world economic crisis and possible Western responses to the particular problems faced by the developing World. The Committee will accordingly focus its attention on three important but specific items on the current agenda: the strains in the world trading system, the problems of global financial instability, and the role of UNCTAD as an international institution.

### 3. Strains in the World Trading System

The difficulties encountered by the November 1982 GATT Ministerial Conference brought to public attention the current erosion of the open-trading system established in the aftermath of the Second World War. In times of crisis, it is counterproductive for nations to defend themselves by measures which increase, in the longer term, the underlying weaknesses of the system. In practical terms, this means that it is against the better interests, not

only of developing countries but of the developed countries themselves to shut out exports from developing trading partners. The drift to managed trade in manufactured goods and the external trade effects of the Common Agriculture Policy therefore need to be carefully considered and discussed with a view to arresting these processes which may be harmful. All parties are committed to the next stage of negotiations for strengthening the GATT. They must help to improve the safeguards procedure, widen the Treaty to include services and agriculture, and generally allow broad shifts in the world division of labour which would reflect more realistic and modern economic dynamics. In the long run, the advanced world should make greater effort to depend more on high technology and service industries and to surrender to the developing countries that ground in the older industries in which they are no longer competitive. Thus, the developing world should be given freer access to our markets for various traditional and intermediate goods. Whilst the principles of the GSP should be maintained, its benefits should be concentrated to advantage the poorest nations. By outward-looking policies such as these, the advanced nations can fight recessionary tendencies without distorting the international market.

4. The third world itself has been vociferous both in expressing its commitment to an open market economy and in censoring Western partners for any defensive retreat from that objective. Their fears of restrictive practices - embodied most obviously in recent criticisms of the MFA - have been alleviated only by the fact that many recent excursions into "managed trade" have been bargains struck essentially between advanced trading partners, rather than exercises launched at the expense of the third world. It is highly desirable that at the Belgrade Conference the Member States of the Community, both individually and jointly through the Commission, should convincingly reassure the developing countries that it is not our intention to resort to restrictive practices against them or to extend the MFA system into each field in which they may become proficient producers. On the contrary, the Conference should provide a good opportunity for us to make significant gestures of good will so that they may feel that they have made genuine gains. An example which springs to mind is the long delayed removal of tariffs from all tropical food products of a kind which do not compete with our own agriculture. Such requirements, in general terms, are underlined in the Commission's document.



5. At the same time, we believe that the Community is entitled to ask UNCTAD for agreement on reasonable reciprocity of respect for the principles of free trade. Quite understandably, developing countries have long been allowed a relaxation from GATT guidelines on the grounds that infant industries, and indeed infant economies, may need a reasonable degree of protection. But this does not justify tariffs of 100% or 200% such as are sometimes applied by rather well developed countries like Taiwan and Korea, or tariffs of up to 400% as can be found in Latin America. A proper recognition is needed that when an industry has become competitive, it should start to compete. The challenge now is for the developed and developing worlds to act in harness so that further reductions in trade barriers of a tariff and non-tariff variety can be achieved on all fronts. Rapid liberalisation cannot be expected of the third world at a time of crisis. But equally further liberalisation by OECD states is unlikely without a compensating practical determination on the part of developing nations to put their ideals into practice.

6. Any general agreement between the advanced industrial world and the developing countries must include better provisions for stabilising commodity prices. Some of the money spent on development aid might have been more productive in this field. We must recognise that, although energy prices have now fallen considerably, may fall further and will certainly lag behind any foreseeable increase in the prices of manufactured goods, the energy bill of the Third World continues to be a vast burden on its ability to develop its economies and to trade successfully. This bill must largely be met by the sale of raw materials. While the prices for many such products has begun to turn up and will continue to do so with any recovery in world trade, there is a large "earnings gap". The Committee therefore agrees with the observations contained in the Commission's paper and would particularly like to see progress on the problem of the Common Fund.

7. It has been argued that the developed countries should launch at Belgrade a major initiative for a return to trade expansion. While the Committee agreed that this was desirable in principle, some doubt was also felt as to whether the Community has at present a clear view as to the practical steps required. The Committee believes that concrete proposals should emerge from the study now being undertaken by Parliament on the initiative of Committee Chairmen and from Governments as a result of the Williamsburg Conference, but it is feared that neither of these is likely to be achieved in time for proper presentation in Belgrade.

## 8. Global Financial Instability

The recent indebtedness problems of the third world - concentrated in a number of newly industrialising countries, but having a general effect on reducing the flow of funds to many poorer states - have drawn the development debate from the grander schemes of a New International Economic Order to the more pragmatic and immediate concerns of mere survival. The need to service existing debt, (even in rescheduled form) and the cost of buying energy supplies (even at the newly reduced prices) eat up a very high proportion of the export earnings of all but the luckiest UNCTAD members. Their potential as trading partners thus becomes increasingly limited and the temptation to default on debt grows fast. So overloaded is the system that any unilateral debt repudiation in quite a limited field could bring down the whole system.

9. In the process of facilitating the adequate financing of developing countries' needs, the International Monetary Fund should continue to play its central role. The recent moves towards increasing IMF quotas, enlarging the General Arrangements to Borrow, and securing a substantial new SDR allocation are all encouraging. Although conditionality of credits cannot be unduly relaxed, special attention should be given to the difficulties of the least developed countries in borrowing in the commercial markets. A strengthening of coordination between the IMF, World Bank, other official lenders and the commercial banks will be necessary, especially to ensure the more effective rescheduling of debts where such moves are considered necessary.

10. Thus, although automatic debt annulment on a major scale cannot be considered a realistic possibility, it is important to rationalise and facilitate a process of rescheduling which has already covered \$250 billion of Western loans.

## 11. The Role of UNCTAD as an International Institution

This question will appear on the agenda of the Belgrade Conference. Developed countries must be especially careful as to how they voice their views on an organisation which is of particular importance to the Third World and intended to be the principal forum for discussing and advancing their interests. Clearly, however, developed countries must consider their own

relationship and that of major international organisations with UNCTAD. The essential institutions of the International finance and trading systems - e.g. the IMF, GATT, BIS etc. - have their own clear responsibilities, which developed and developing countries have an interest in maintaining and supporting. But there are other roles, such as that played by UNCTAD in launching the Integrated Programme for Commodities, for which that organisation seems to be peculiarly well suited. From the Community's point of view, the more practical and realistic the tone of UNCTAD's discussions, the more collaborative will be Europe's association with it. Such realism has not always been apparent in the past; UNCTAD can and should play an important and increasing role in world affairs as a clearing house for information on Third World problems as a forum which allows common views to be achieved on those problems and as a source of proposals and even initiatives for their solution.

## 12. Conclusions

The Committee on External Economic Relations endorsed the views and recommendations of the Commission contained in their document COM(82) 803 final. They hope that the Community will be seen to be taking a positive and constructive line at Belgrade and that useful proposals will be made from our side. They hope that a spirit of constructive realism by all parties will enable closer links to be forged between the Community and UNCTAD than in the past.

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